

**DOCUMENT RESUME**

06097 - [B1466509]

[Need for Improvement by the Bureau of Engraving and Printing in Certain Management Areas]. May 22, 1978. 1 pp. + enclosure (3 pp.).

Report to Jay Esserman, Chief, Internal Audit, Bureau of Engraving and Printing; by David P. Sorando, Regional Manager, Field Operations Div.: Regional Office (Washington).

Contact: Field Operations Div.: Regional Office (Washington).

An examination of the financial statements of the Bureau of Engraving and Printing Fund for fiscal years 1976 and 1977 showed the need for corrective actions in the areas of: inspection of raw materials and stores in the receiving area, receiving reports, and inventory layout. Inventory items should be inspected promptly in the receiving area and either returned if defective or placed in inventory. Seventeen items were observed in the receiving area that had been there from 5 to 15 days. Purchase orders should be prepared for each purchase with one copy forwarded to the receiving department. This copy should have the number of units ordered blacked out so that an independent count is made by department personnel. In inventories of 112 stores items, there were 87 differences in counts performed by the Stock Catalog and Property Utilization Section, Supply Branch, and the Stock Control Section. Good physical layout of inventory items is needed for a proper count of physical inventory, quick location of items, and ease in keeping locator records. Corrective actions have been proposed by staff members. (Author/HTW)

UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

6509

22 MAY 1978

Mr. Seymour Berry, Director  
Bureau of Engraving and Printing  
Washington, D.C. 20228

Dear Mr. Berry:

We have completed our examination of the financial statements of the Bureau of Engraving and Printing Fund for fiscal years 1976 and 1977. We would like to bring to your attention certain matters that, while important, will not appear in our report to the Congress. These matters have been discussed with members of your staff, and corrective actions have been proposed by your staff.

INSPECTION OF RAW MATERIALS AND  
STORES IN THE RECEIVING AREA

Inventory items should be inspected promptly in the receiving area and either returned if defective or placed in inventory. During our audit we observed 17 items in the receiving area that had been there from 5 to 15 days. These items included 12 lamps and 20 steel rods that were in the receiving area for 14 days and 11 days, respectively, awaiting inspection by the Construction and Maintenance Division.

Internal Audit reviewed the operations of the Receiving and Shipping Unit and recommended in its March 28, 1977, report "that timely followup action be initiated on all items left in the Receiving and Shipping Unit for an extended period of time." Although followup action was started by the Receiving and Shipping Unit, we believe that the ordering units should inspect the items promptly to prevent purchases from remaining in the Receiving and Shipping Unit for up to 15 days. Prompt inspection measures would result in less unnecessary inventory in the receiving area, delivering inventory items to the Requisitioning Unit faster, and more accurate monitoring of inventory levels.

Bureau officials concurred with our suggestion. The Acting Chief, Office of Administrative Services, said that higher management will review the status of items awaiting inspection at least on a weekly basis.

### RECEIVING REPORTS

Purchase orders should be prepared for each purchase, with one copy forwarded to the receiving department. This copy should have the number of units ordered blacked out so that a totally independent count is made by department personnel. This procedure is especially important when the units are delivered to the stores area and a validating count is not made.

During September 28 to 30, 1977, the Stock Catalog and Property Utilization Section, Supply Branch, inventoried 112 stores items. There were 87 differences when these counts were compared to the Stock Control Section records. We believe that the records reflecting inventory levels will be more accurate if the merchandise is independently counted as it is received and this total then compared to the amount ordered.

A Bureau official recognized the merits of making independent counts of incoming merchandise. He said that independent counts for all large dollar value, bulk purchases received at the Lorton warehouse are made. These receipts at Lorton constitute a major portion of Bureau stores items. However, the Acting Chief, Office of Administrative Services, believes that omitting the quantities of items ordered on the purchase order copies completed by Receiving and Shipping Unit personnel at the Bureau would not necessarily improve the accuracy of stock control records and may lead to more incomplete or inaccurate counts of incoming merchandise.

Most of the differences in stock items were found in the stores areas, rather than in the receiving areas. The Bureau believes that discrepancies were primarily in issuing and control rather than in the receiving area. This problem, which reoccurs periodically, is being monitored by the supervisory personnel of the Office of Administrative Services.

However, in order to improve control as well as the accuracy of stock control records, the Acting Chief, Office of Administrative Services, advised us that action has been taken to increase supervision over stock receipts and issues.

We believe that, while blacking out the number of units on the receiving reports would be the most desirable way to assure accurate inventory counts, the present actions being taken to increase controls over receipts and issues may be sufficient. We plan to examine the effectiveness of these corrective actions in our next review at the Bureau.

### INVENTORY LAYOUT

Good physical layout of inventory items is needed for a proper count of physical inventory, quick location of items and ease in keeping locator records. We observed the inventory taken at the end of fiscal year 1977 and noted some items stored in more than one location and items in locations not specified in the locator records. To be sure of an accurate count, we had to examine every inventory item in a storage area to determine if it was on the inventory list.

Internal Audit concluded in its December 28, 1977, report that "these conditions have resulted in incorrect stock identification, errors in physical counts, and excessive time in taking inventories." Although we recognize that inadequate storage space exists in the Bureau's facilities, we believe that periodic reviews of the inventory management and layout will help to alleviate these problems.

The Bureau agreed with our suggestion that periodic reviews be made of the inventory management and layout. The Acting Chief, Office of Administrative Services, is increasing storage of more materials at the Lorton warehouse to help alleviate the inventory management and layout problems caused by inadequate storage space in the Bureau.

We plan to follow up on these corrective actions during our next financial statement review. We appreciate the cooperation and courtesies extended to our staff during the work at your agency.

Sincerely yours,

  
David P. Sorando  
Regional Manager